

1 PAUL J. PASCUZZI, State Bar No. 148810
JASON E. RIOS, State Bar No. 190086
2 THOMAS R. PHINNEY, State Bar No. 159435
FELDERSTEIN FITZGERALD WILLOUGHBY
3 PASCUZZI & RIOS LLP
500 Capitol Mall, Suite 2250
4 Sacramento, CA 95814
Telephone: (916) 329-7400
5 Facsimile: (916) 329-7435
6 Email: ppascuzzi@ffwplaw.com
jrios@ffwplaw.com
7 tphinney@ffwplaw.com

8
9 ORI KATZ, State Bar No. 209561
ALAN H. MARTIN, State Bar No. 132301
10 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
11 Including Professional Corporations
Four Embarcadero Center, 17th Floor
12 San Francisco, California 94111-4109
Telephone: (415) 434-9100
13 Facsimile: (415) 434-3947
Email: okatz@sheppardmullin.com
14 amartin@sheppardmullin.com

15 Attorneys for The Roman Catholic Archbishop of
San Francisco

16 UNITED STATES BANKRUPTCY COURT

17 NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

18 In re

19 THE ROMAN CATHOLIC ARCHBISHOP
20 OF SAN FRANCISCO,

21 Debtor and
22 Debtor in Possession.

Case No. 23-30564

Chapter 11

**DECLARATION OF MICHAEL FLANAGAN
IN SUPPORT OF MOTION TO MODIFY
FINAL ORDER (1) AUTHORIZING
CONTINUED USE OF EXISTING CASH
MANAGEMENT SYSTEM, OPERATIONAL
BANK ACCOUNTS AND RELATED
INVESTMENT ACCOUNTS; (2)
AUTHORIZING MAINTENANCE OF
EXISTING BUSINESS FORMS, (3)
EXCUSING COMPLIANCE WITH SECTION
345(b); AND (4) AUTHORIZING CONTINUED
USE OF CURRENT INVESTMENT POLICY;
OR, IN THE ALTERNATIVE, AUTHORIZING
U.S. BANK N.A. BANK CARD PROGRAM**

Date: January 11, 2024
Time: 1:30 p.m.
Via ZoomGov
Judge: Hon. Dennis Montali

I, Michael Flanagan, declare as follows:

1. I am the Chief Financial Officer (“CFO”) of The Roman Catholic Archbishop of San Francisco, the debtor and debtor in possession herein (“RCASF” or the “Debtor”). I have been the CFO of the RCASF since September 8, 2023. Prior to that, I had been a Vice President in the investment banking division at Goldman Sachs & Co. LLC, where I focused on mergers & acquisitions as well as capital raising alternatives. I have a Master of Business Administration from the University of Chicago Booth School of Business and a Bachelor of Business Administration from the University of Notre Dame. In the course and scope of my duties as CFO, I am familiar with the record keeping practices and policies of the RCASF and how it regularly maintains its business records.

2. I make this declaration (the “Second Supplemental Declaration”) in support of the *Debtor’s Motion to Modify Final Order (1) Authorizing Continued Use of Existing Cash Management System, Operational Bank Accounts and Related Investment Accounts; (2) Authorizing Maintenance of Existing Business Forms, (3) Excusing Compliance With Section 345(b); (4) Authorizing Continued Use of Current Investment Policy; or, in the Alternative, Authorizing U.S. Bank N.A, Bank Card Program* (the “Modification Motion”). I give capitalized terms not otherwise defined in this Declaration the same meanings ascribed to them in the Modification Motion.

3. All facts set forth in this declaration are based on my personal knowledge, upon information supplied to me by people who report to me, upon information supplied to me by the RCASF’s professionals and consultants, upon my review of relevant documents, or upon my opinion based on my experience and knowledge with respect to the RCASF’s operations, financial condition, and related business issues. The documents submitted herewith, referenced herein or otherwise relied upon by me for purposes of this Declaration are the business records of the RCASF, prepared and maintained in the ordinary and regularly conducted business activity of the RCASF, and used

1 by me for those purposes. If I were called upon to testify, I could and would testify competently to
2 the facts set forth herein, and I am authorized to submit this Declaration on behalf of the RCASF.

3 4. Wells Fargo Bank has informed the Debtor that it will terminate the Debtor's
4 continued use of its credit cards no later than February 10, 2024.¹

5 5. As explained in the Cash Management Motion and supporting Declaration of Joseph
6 Passarello, the Debtor uses a credit card or bank card to effectively and efficiently perform its
7 operations. Such bank cards are used, for example, in the ordinary course of business, to make
8 disbursements to trade vendors and service providers, and by employees for approved expenses.

9 6. To replace the Wells Fargo credit cards, U.S. Bank has agreed to provide the Debtor
10 with a new bank card program ("Bank Cards") which will work similar to a debit card and include
11 the following terms:

12 i. Establishment of a master Bank Card account in the name of the Debtor that
13 may be used by the Debtor to process payments up to the amount of funds provided by the
14 Debtor to fund the account in advance. Advance deposits can be made in any amount, at
15 any time, as often as needed. The Debtor anticipates that it will initially fund the account
16 with approximately \$75,000 to \$100,000 and replenish the account as funds are disbursed to
17 pay for charges, and the Debtor agrees to limit the Debtor's pre-funded balance for its Bank
18 Card account to a cap of \$200,000 absent further order of the Court.

19 ii. The funds advanced by the Debtor to U.S. Bank will not be held in a Debtor
20 deposit account. Rather, the Debtor's advance of funds will provide pre-funded credit for
21 use by the Debtor on its Bank Card for its account.²

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24 _____
25 ¹ Wells Fargo Bank has elected to discontinue the Debtor's credit card program for business
26 reasons and complexities related to the Debtor's bankruptcy case and not for any monetary default
or improper conduct by the Debtor.

27 ² Since the Bank Card account will not be a "deposit account" and is not available for any use
28 other than the Bank Cards, it does not fall under the terms of coverage by the FDIC.

1 iii. The Debtor has the potential to earn rebates from U.S. Bank depending on
2 the amount of funds expended on the Bank Card. These potential rebates would start at 0.9%
3 depending on the amount of funds expended and the nature of the charged expenditures.

4 iv. Availability for the Debtor's non-debtor affiliated entities (the "Participants")
5 to establish separate sub-accounts in the name of each Participant for Bank Cards to be issued
6 to the respective Participants to the extent of funds provided by each Participant in their
7 respective sub-accounts. Approximately 35-40 non-Debtor affiliated entities participated in
8 the Wells Fargo credit card program. The Debtor anticipates that these same affiliated
9 entities and other non-debtor affiliated entities will participate in the U.S. Bank Card
10 program. Participants will establish separate sub-accounts in the name of each Participant.

11 v. Protections for the Debtor's estate via terms including, (i) limiting the use of
12 the Bank Cards to the funds provided by the Debtor and each Participant, respectively, and
13 (ii) Bank Cards may only be used for funds provided by the account holder for each
14 respective account. As such, the Participants will only have access to the funds provided for
15 their respective sub-accounts and will not have access to the funds provided by the Debtor
16 for the Debtor's Bank Card account.

17 vi. Since use of the Bank Cards is limited to the amount of funds provided, the
18 Debtor will not incur interest charges or any annual card fees. Any incurred fees are
19 expected to be minimal and would be based upon certain special circumstances or features
20 such as a default, electronic attachment utility, logo embossing, or customized cards.

21 vii. The card program can be closed at any time at the Debtor's written request.

22 viii. There is no additional cost to the Debtor for the establishment of each
23 Participant's sub-account. However, since the Debtor is the master account holder, the
24 account agreements provide that the Debtor shall be responsible for any unpaid charges by
25 a Participant. This risk is very low since the Participants will be instructed to manage their
26 own accounts, and as noted above, each Participant will be required to post their own funds
27 for use from each Participant's sub-account, each Participant's Bank Cards can only be used
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1 to access the available funds in each Participant's respective sub-account, and the Bank Card
2 system is designed to limit any charges to the amount of funds available in each respective
3 account.

4 7. The Debtor explored alternatives such as using a Debtor In Possession account with
5 an associated credit card. However, this program would have required the Debtor to advance a
6 minimum collateral deposit of approximately \$650,000. The Bank Card system does not require
7 any minimum balance (other than \$1.00 to activate). Additionally, the cards are issued under
8 separate names/accounts for the Debtor and each Participant, making for an effective system with
9 flexible advance funding that each entity can manage.

10 8. Under the circumstances, I believe that the Debtor has sound business reasons for
11 pursuing the U.S. Bank Card program. The Debtor requires the use of bank issued cards to conduct
12 its business. The proposed Bank Card program with U.S. Bank provides a practical, cost-effective
13 solution to the existing Wells Fargo credit cards. In particular, the Debtor and each Participant will
14 have their own separate account numbers. Thus, the Bank Cards will be issued separately based
15 upon the respective accounts and limited to use only to the funds posted to the account for which
16 the Bank Card has been issued. Moreover, the Bank Cards do not have any minimum prefunding
17 balance which gives the Debtor the flexibility to manage its account balance at amounts reasonably
18 necessary to cover anticipated Bank Card expenses, and the Debtor will have the potential to earn
19 cash rebates based upon the amount of the expenditures on the Bank Cards. Finally, since the Bank
20 Cards are pre-funded and limited in availability to the amount of funds posted, the Bank Cards will
21 not incur high interest rate charges like the Wells Fargo credit cards could have incurred.

22 I declare under penalty of perjury under the laws of the United States of America that the
23 foregoing is true and correct. Executed on December 21, 2023 at San Francisco, California.

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26 Michael Flanagan
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